

REPORT

TO

COMMISSIONER OF INSURANCE

CLERK OF THE SENATE

CLERK OF THE HOUSE OF REPRESENTATIVES

July 1, 2021

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION

of the

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC


As of December 31, 2020

This annual report and statement of the financial condition of the Life Insurance Community Investment Initiative, LLC (the “Company”) for the year ended December 31, 2020 is presented by the Company in conformity with the requirements of Section 2(e) of Chapter 259 of the Acts and Resolves of 1998 (the “Act”).

1. List of Participating Life Insurance Companies and the amount of capital contributed by each for the 2020 taxable year and in aggregate are attached as EXHIBIT A.
2. Qualified Investments. The Company made a total of \$41,433,909 in qualified investments, as defined by Section 2(b), in the fiscal year ended December 31, 2020. The total aggregate cumulative investments of the Company through December 31, 2020 was \$570,696,773. A list of all qualified investments made in the year ended December 31, 2020, including the value and the type of each is attached as EXHIBIT B.
3. Qualified Interim Investments. The amount of qualified interim investments at December 31, 2019, as defined by Section 2(b), was \$0
4. Regional Meetings. The records of the public meetings held in each MOBD Region are attached as EXHIBIT C
5. Certified Financial Statements. The financial statements of the Company for its fiscal year ended December 31, 2020 as certified by the Company’s independent certified public accounts are attached as EXHIBIT D.
6. Certificate Required by Section 2(e)(3). The certificate pertaining to investments made by the Company in the five MOBD regions in the Commonwealth is attached as EXHIBIT E

Executed this 29th day of June , 2021.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC.


By: 
Kristen Harol
President

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

Then personally appeared the prior-named Kristen Harol, President of Massachusetts Life Insurance Community Investment Initiative who did state that the information set forth in the foregoing Annual Report and Statement of Financial Condition is true and correct to the best of her knowledge, information and belief.

Before me,


Notary Public Cara DeVito

My commission expires: 6-24-2022

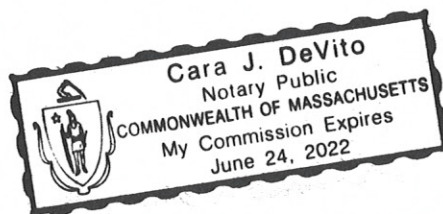


EXHIBIT A

TO

**ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE
INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

As of December 31, 2020

Participating Life Insurance Company	2020 Capital Contributed or Returned	Aggregate Capital Contributed
1. John Hancock Life	\$0	\$44,777,082
2. John Hancock	0	313,204
3. Massachusetts Mutual Life	0	31,541,209
4. Paul Revere life Insurance	0	4,141,114
5. Paul Revere Variable Annuity	0	1,383,785
6. Savings Bank Life Insurance	0	9,404,316
7. Liberty Life Assurance	(152,413)	2,743,441
8. Berkshire Life	0	2,464,406
9. Boston Mutual Life	0	1,735,829
10. New England Life	0	549,290
11. Monarch Life	(15,541)	279,737
12. American Health & Life, Primerica	(15,020)	270,358
13. Centre Life Insurance of New York	(1,514)	27,252
	\$(184,488)	\$99,631,024

EXHIBIT B

TO

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2020

\$41,433,909 in Qualified investments committed during 2020

CCMPZ line of credit, Bridgewater

Impact rating 8 (out of 10)

\$850,000 line of credit loan to acquire and support predevelopment costs to renovate a historic school building into 57 units of affordable and middle-income housing.

Clippership Apartments, East Boston

Impact 7

- \$3,530,000 subordinate construction loan to build 22 new units of affordable, rental family housing.
- \$2,200,000 subordinate construction loan to build 30 units of ownership for sale housing, including 14 low-middle income units.

Berkshire Housing Development Corporation, Williamstown

Impact 7

\$13,000,000 construction loan to build 41 units of deeply affordable rental housing on a formerly industrial, waterfront site. *Participated \$3MM to The Property and Casualty Initiative, post-commitment*

1005 Broadway MM LLC, Chelsea

Impact 8

\$1,500,000 site acquisition and predevelopment loan to a partnership between non-profit The Neighborhood Developers Inc. and Traggorth Companies, LLC to develop 38 units of affordable rental housing.

POAH Line of credit, Boston

Impact 8

\$1,000,000 increase to revolving line of credit used for predevelopment of 320 units of affordable housing in the former Whittier Street public housing owned by the Boston Redevelopment Authority.

The Neighborhood Developers, Chelsea, Revere and Everett

Impact 8

\$1,500,000 renewal of predevelopment line of credit supporting multi-family affordable housing.

CEDAC, Statewide

Impact 10

\$2,000,000 line of credit renewal supporting 4,956 units of non-profit sponsored affordable housing predevelopment statewide.

Exhibit B, continued

Great Bridge 55 Tri-Town partnership, Lunenburg

Impact 7

\$4,000,000 participation with MHIC in \$9,000,000 construction loan for 70 units of affordable rental housing.

64 Durfee, Fall River

Impact 7

\$3,968,909 loan to bridge federal and state historic tax credits to support conversion of historic school building into 55 market rate and affordable apartments, and 24,760 square feet of commercial space for local non-profits. *Participated 50% to BlueHub, post commitment*

Planning Office for Urban Affairs, Wrentham

Impact 9

\$1,200,000 loan to acquire a former convent to convert into 8 units of supportive housing for victims of domestic violence and human trafficking.

New Hope Community Capital Inc., Statewide

Impact 8

\$2,500,000 predevelopment line of credit to support affordable housing developed by The Community Builders statewide.

Oxbow Urban LLC, Roxbury

Impact 8

\$760,000 increase to predevelopment line of credit supporting development of 40 units of affordable homeownership with a focus on minority buyers.

Fenway CDC Burbank Street, Boston

Impact 8

\$3,100,000 loan to acquire and support predevelopment of 27 units of affordable housing.

CCMPZ, Bridgewater

Impact 8

\$150,000 increase to predevelopment line of credit to support the renovation of a historic school into 57 units of affordable housing

New Urban Collaborative, Roxbury

Impact 7

\$175,000 participation in a \$525,000 predevelopment line of credit to develop 25 units of housing, 20 of which are affordable, and 15,000 square feet of office space in Roxbury.

EXHIBIT C

To

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE

As of December 31, 2020

Information regarding the annual meetings held in each of the MOBD regions: Because of Covid, in person meetings were curtailed.

REGION	DATE	Place represented	HOST
Central	7/22	by zoom, Central and West	Mass. Development
Northeast	6/29	by zoom, Haverhill	CBA
Southeast	4/3	by zoom, Fall River	Creative Class
Western	7/22	by zoom, Central and West	Mass. Development
Gr. Boston	7/27	by webex Boston + State	MA Equitable Access PPP

EXHIBIT D

CERTIFIED FINANCIAL STATEMENT

Of the

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE

As of December 31, 2020

EXHIBIT E

To

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2020

In accordance with Section 2(e)3 the investments made by the Life Insurance Community Investment Initiative LLC comply with the provision of paragraphs (1) and (2) of subsection (f). At least 25% of the funds invested by the Life Initiative have been credited and distributed within the five MOBD regions of the Commonwealth. Each MOBD region has received at a minimum its base investment share amount as defined by the Legislation.

Qualified Investments as of 12/31/20 (\$571,696,773)

Western Region	\$97,527,700
Central Region	85,140,733
Northeast Region	67,159,500
Greater Boston Region	229,428,931
Southeast Region	75,689,909
<u>Statewide</u>	<u>15,750,773</u>

\$570,696,773

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Contents
December 31, 2020 and 2019

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Balance Sheets	2
Statements of Operations and Other Comprehensive Income	3
Statements of Changes in Members’ Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 14



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Independent Auditor's Report

To the Audit Committee and Members of
Life Insurance Community Investment Initiative, LLC:

Report on the Financial Statements

We have audited the accompanying financial statements of Life Insurance Community Investment Initiative, LLC (a Massachusetts limited liability company) which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and other comprehensive income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Insurance Community Investment Initiative, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Boston, Massachusetts
April 1, 2021

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Balance Sheets

December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 17,038,593	\$ 10,195,397
Short-term investments	60,503	63,572
Current portion of loans receivable, net of allowance for loan losses of \$1,814,506 and \$3,028,134 as of December 31, 2020 and 2019, respectively	17,721,013	34,693,193
Interest receivable on loans and other receivables	1,212,726	844,019
Total current assets	36,032,835	45,796,181
Loans Receivable, net of current portion and allowance for loan losses of \$6,690,446 and \$4,876,818 as of December 31, 2020 and 2019, respectively	65,340,932	55,873,496
Investments in Limited Partnerships and Other, net of allowance for impairment	1,636,460	1,696,197
Total assets	<u>\$ 103,010,227</u>	<u>\$ 103,365,874</u>
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 774,472	\$ 633,283
Members' Equity:		
Members' capital contributions	99,631,024	99,815,512
Retained earnings	2,601,075	2,914,518
Accumulated other comprehensive income	3,656	2,561
Total members' equity	102,235,755	102,732,591
Total liabilities and members' equity	<u>\$ 103,010,227</u>	<u>\$ 103,365,874</u>

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**Statements of Operations and Other Comprehensive Income
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Interest on loans	\$ 5,087,272	\$ 4,758,301
Investment income	271,773	224,870
Loan fees and other	212,921	271,853
Net change in value of derivatives	-	(140,268)
	<u>5,571,966</u>	<u>5,114,756</u>
Total operating revenues		
	5,571,966	5,114,756
Less - provision for loan losses	(600,000)	(200,000)
	<u>4,971,966</u>	<u>4,914,756</u>
Net operating revenues		
	4,971,966	4,914,756
Operating Expenses:		
Salaries, payroll taxes and fringe benefits	1,816,773	1,766,066
Operating expenses	423,703	335,946
Miscellaneous	78,824	24,287
Professional fees	51,591	55,737
	<u>2,370,891</u>	<u>2,182,036</u>
Total operating expenses		
	2,370,891	2,182,036
Net income	2,601,075	2,732,720
Other Comprehensive Income:		
Unrealized gain on short-term investments	1,095	8,915
	<u>1,095</u>	<u>8,915</u>
Total comprehensive income	<u>\$ 2,602,170</u>	<u>\$ 2,741,635</u>

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Statements of Changes in Members' Equity
For the Years Ended December 31, 2020 and 2019

	Members' Capital Contributions	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2018	\$ 100,000,000	\$ 2,515,902	\$ (6,354)	\$ 102,509,548
Net income	-	2,732,720	-	2,732,720
Other comprehensive income	-	-	8,915	8,915
Distributions to members	(184,488)	(2,334,104)	-	(2,518,592)
Balance, December 31, 2019	99,815,512	2,914,518	2,561	102,732,591
Net income	-	2,601,075	-	2,601,075
Other comprehensive income	-	-	1,095	1,095
Distributions to members	(184,488)	(2,914,518)	-	(3,099,006)
Balance, December 31, 2020	<u>\$ 99,631,024</u>	<u>\$ 2,601,075</u>	<u>\$ 3,656</u>	<u>\$ 102,235,755</u>

The accompanying notes are an integral part of these statements.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Net income	\$ 2,601,075	\$ 2,732,720
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600,000	200,000
Amortization, net	4,164	(17,144)
Interest and other amounts paid in-kind	671,548	(516,241)
Unrealized/realized gain in limited partnerships and other	(210,031)	-
Net change in value of derivatives	-	140,268
Changes in operating assets and liabilities:		
Interest receivable on loans and other receivables	(368,707)	(155,088)
Accounts payable and accrued expenses	141,189	57,810
	<u>3,439,238</u>	<u>2,442,325</u>
Net cash provided by operating activities	<u>3,439,238</u>	<u>2,442,325</u>
Cash Flows from Investing Activities:		
Issuance of loans receivable	(23,281,599)	(30,185,349)
Principal payments on loans receivable	29,514,795	24,194,300
Proceeds from sales and maturities of short-term investments	-	9,990,276
Return on investments in limited partnerships	269,768	-
	<u>6,502,964</u>	<u>3,999,227</u>
Net cash provided by investing activities	<u>6,502,964</u>	<u>3,999,227</u>
Cash Flows from Financing Activities:		
Distributions to members	(3,099,006)	(2,518,592)
	<u>(3,099,006)</u>	<u>(2,518,592)</u>
Net Change in Cash and Cash Equivalents	6,843,196	3,922,960
Cash and Cash Equivalents:		
Beginning of year	<u>10,195,397</u>	<u>6,272,437</u>
End of year	<u>\$ 17,038,593</u>	<u>\$ 10,195,397</u>
Supplemental Disclosure of Cash Flow Information:		
Derivatives converted to investment in limited partnerships and other	<u>\$ -</u>	<u>\$ 41,530</u>

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

1. OPERATIONS AND TAX STATUS

Operations

Life Insurance Community Investment Initiative, LLC (the Company) was organized on December 30, 1998, as authorized by the Act Insuring Community Investment and the Equitable Taxation of Insurance Companies in Massachusetts, 1998 Massachusetts Acts, Chapter 259 (Chapter 259), in accordance with the provisions of the Massachusetts Limited Liability Company Act. The Company is a privately owned limited liability company engaged in the business of making investments in qualified Massachusetts community enterprises to the extent permitted by Chapter 259. The original term of the Company was twenty-five years from the date of organization and was set to expire on December 30, 2023, subject to earlier termination or extensions. The term of the Company has been extended to December 30, 2033 (see Note 10). The Company received initial cumulative contributions of capital from its members of \$100,000,000, representing maximum contributions required under Chapter 259 from each of its participating members. During 2019, four of the Company's members elected to no longer receive what would otherwise be their share of the annual undistributed net earnings of the Company and to begin being paid out through distributions of their initial capital contributions to the Company. Therefore, the cumulative contributions of capital continue to decrease each year and were \$99,631,024 and \$99,815,512 as of December 31, 2020 and 2019, respectively (see Note 10).

Tax Status

The Company is a Massachusetts limited liability company and has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from the Company are reported by the members on their respective income tax returns as allocated in accordance with the Operating Agreement. Accordingly, the accompanying financial statements do not reflect any provisions or credits for income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking, money market and savings accounts.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Investments

The Company's short-term investments are debt securities accounted for by the Company in accordance with the provisions of ASC 320, *Investments - Debt and Equity Securities* (ASC 320). ASC 320 requires that an enterprise classify these securities into one of three categories: held-to-maturity, available-for-sale, or trading. The Company's investments in these debt securities are classified as available-for-sale and valued at fair value. Short-term investments consist solely of collateralized mortgage obligations and U.S. Treasury securities with original maturities of more than three months, but less than one year.

The Company's methodology for assessing other-than-temporary impairments is based on security specific facts and circumstances as of the balance sheet date, as well as the Company's intent to sell or ability to hold debt securities to recovery of its cost basis or maturity.

Temporary gains (losses) on investment securities are recorded as unrealized gains (losses) as a component of other comprehensive income (loss).

Loans Receivable and Allowance for Loan Losses

Loans receivable are carried at unpaid principal, adjusted for the allowance for losses, where applicable (see Notes 4 and 5). The terms of the loans vary and include differing repayment schedules for principal and interest, and contingent interest. The Company typically issues loans that are senior and secured with a first position on certain assets of the borrower. Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

The Company accounts for impairments of loans receivable in accordance with ASC 310, *Receivables* (ASC 310). ASC 310 requires that a loan be classified and accounted for as an impaired loan when it is probable that the Company will be unable to collect all amounts due, both interest and principal, according to the contractual terms of the loan agreement. Specifically, ASC 310 requires that impaired loans are valued based on the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Impairment exists when the recorded investment in the loan exceeds the value measured using the above described techniques. Such impairment is recognized as a valuation reserve which is included as part of the overall allowance for losses.

Investments in Limited Partnerships and Other

Investments in limited partnerships consist of the Company's non-marketable interests in local investment funds. Because the Company does not exercise significant influence over its investments in limited partnerships, the Company records such investments using the cost method of accounting (see Note 8). Under this method of accounting, the Company records its investments at initial cost and periodically assesses the possibility of the impairment of cost.

Dividends from these investments, which represent distributions of partnership earnings, if any, are recorded as investment income. Other distributions are recorded as return of capital and reduce investment cost. In the event of impairment, the investments are written down through an allowance for impairment to estimated net realizable value and the loss is charged to operations.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Limited Partnerships and Other (Continued)

Investments in other include investments in marketable securities that are recorded in the financial statements at fair value. If an investment is directly held by the Company and an active market with quoted prices exists, the market price of the security is used to report fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 8).

Revenue Recognition

Revenues include interest on loans, cash, and investments in debt securities as well as loan fees and other. All revenues are recognized as earned on the accrual basis of accounting. Premium or discount on debt securities and loans receivable is amortized over the remaining term to maturity, using the straight-line method which approximates the effective yield method.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expense for 2020 and 2019 was \$1,599 and \$5,624, respectively, and is included in professional fees in the accompanying statements of operations and other comprehensive income.

Fair Value Measurements

The Company follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Company would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Company uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Company. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The only assets held by the Company that are carried at fair value are cash equivalents in the form of money market accounts, short-term investments (see Note 3), and marketable securities (see Note 8). Cash equivalents are considered Level 1 in the fair value hierarchy. The Company held \$1,012,412 and \$1,009,639 in money market accounts as of December 31, 2020 and 2019, respectively, which are included in cash and cash equivalents in the accompanying balance sheets.

Subsequent Events

Subsequent events have been evaluated through April 1, 2021, which is the date the financial statements were available to be issued. No events met the criteria for recognition or disclosure in the financial statements.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of debt securities and are carried at fair value on a recurring basis based on quoted market prices which are considered Level 1 inputs in the fair value hierarchy (see Note 2).

The amortized cost of short-term investments and their approximate fair values are as follows as of December 31:

	2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Collateralized Mortgage Obligations	<u>\$ 56,847</u>	<u>\$ 60,503</u>	<u>\$ 61,011</u>	<u>\$ 63,572</u>

Unrealized gains and losses are recorded within accumulated other comprehensive income, a component of members' equity. Unrealized gains were \$1,095 and \$8,915 for the years ended December 31, 2020 and 2019, respectively.

During 2020 and 2019, the Company recognized no other-than-temporary impairment on short-term investments.

4. LOANS RECEIVABLE

The Company offers the following loan products:

Affordable Housing - Made to organizations that increase the availability of affordable housing to low and moderate-income households. These loans are generally used to acquire or develop residential real properties. Affordable housing loans receivable bear interest at rates ranging from 3.25% to 7.5% and mature at various dates through 2037. Principal balances range from \$13,358 to \$4,052,521. These loans are generally secured by mortgages on the properties and borrowers are required to adhere to certain affordability restrictions. The Company's five largest outstanding affordable housing loans receivable were approximately 24% and 22% of the affordable housing portfolio as of December 31, 2020 and 2019, respectively.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

4. LOANS RECEIVABLE (Continued)

Commercial and Economic Development - Made to support the development and/or expansion of minority or women-owned businesses, small businesses, job creation activities, and community health centers, within low and moderate-income areas that result in job creation or retainage in Massachusetts. The Company also provides financing to small and mid-sized companies with an emphasis on companies relocating to Massachusetts and creating jobs for residents in economic target areas. Commercial and economic development loans receivable bear interest at rates ranging from 4% to 7% and mature at various dates through 2036. Principal balances range from \$36,299 to \$4,469,759. These loans are generally secured by the borrowers' business assets. The Company's five largest outstanding commercial and economic development loans receivable were approximately 68% and 64% of the commercial and economic development portfolio as of December 31, 2020 and 2019, respectively.

Loans receivable consist of the following at December 31:

	2020		2019	
	Number of Loans	Outstanding Principal	Number of Loans	Outstanding Principal
Affordable housing	59	\$ 70,002,890	68	\$ 78,067,932
Commercial and economic development	<u>18</u>	<u>21,564,007</u>	<u>18</u>	<u>20,403,709</u>
Total loans receivable	<u>77</u>	91,566,897	<u>86</u>	98,471,641
Less - allowance for loan losses (see Note 5)		(8,504,952)		(7,904,952)
Less - current portion		<u>(17,721,013)</u>		<u>(34,693,193)</u>
Loans receivable, net		<u>\$ 65,340,932</u>		<u>\$ 55,873,496</u>

As of December 31, 2020 and 2019, total participation loans outstanding were \$11,038,290 and \$10,871,238, respectively. Given the lack of repurchase rights reserved by the Company with respect to the third-party's interest in the underlying loans receivable, the participations meet the requirements for treatment as a loan sale in accordance with the U.S. GAAP criteria for ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Accordingly, loans receivable are presented net of participations in the accompanying balance sheets.

Future payments of principal of loans receivable for the next five years are due as follows:

2021	\$ 17,721,013
2022	\$ 23,165,816
2023	\$ 17,836,454
2024	\$ 7,995,774
2025	\$ 9,863,633

At December 31, 2020 and 2019, the Company was committed to fund loans receivable of approximately \$41,668,000 and \$37,719,000, respectively. All commitments contain pullback provisions which are at the sole option of the Company. Among the tools available to manage liquidity are participation loans and the line of credit (see Note 6).

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

5. ALLOWANCE FOR LOSSES ON LOANS RECEIVABLE

The Company provides an allowance for expected loan losses (see Note 4). The allowance is based on the Company's loan rating policy, which is updated periodically for changes related to individual loans receivable. Loans are rated on a scale of A to E. Loans rated A are considered exceptional and no loan loss is assigned to them. Loans rated B to C are considered performing loans and an initial loan loss allowance is assigned to them. This allowance is adjusted each year, as necessary, based on analysis of each borrower's operating performance.

Loans rated D and E have a specific reserve percentage. These loans have a higher probability of loss of interest income and principal and are considered substandard. For these loans, the major risk factors that drive the loan loss allocation decision are:

- Borrower has a weak balance sheet and has shown consistent losses;
- Cash flow may be inadequate to service the debt;
- Collateral may be less than 100% of outstanding loan;
- Weak management;
- Credit history shows sporadic delinquencies; and
- Guarantor has minimal and illiquid net worth.

The loan loss allowance according to the Company's risk rating policy is as follows as of December 31:

Category	Risk Rating	2020		2019	
		Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Exceptional	A	\$ 2,471,773	\$ -	\$ 2,622,175	\$ -
Performing	B - C	83,165,136	7,022,454	95,328,635	7,809,048
Substandard	D - E	<u>5,929,988</u>	<u>1,482,498</u>	<u>520,831</u>	<u>95,904</u>
		<u>\$ 91,566,897</u>	<u>\$ 8,504,952</u>	<u>\$ 98,471,641</u>	<u>\$ 7,904,952</u>

The loan loss allowance, which has been allocated proportionally to the long-term and current portions of the loan portfolio in the accompanying balance sheets, consists of the following:

	Commercial and Economic Development	Affordable Housing	Total
Balance, December 31, 2018	\$ 2,098,385	\$ 5,606,567	\$ 7,704,952
Provision for loan losses	<u>146,398</u>	<u>53,602</u>	<u>200,000</u>
Balance, December 31, 2019	2,244,783	5,660,169	7,904,952
Provision (recovery) for loan losses	<u>(94,140)</u>	<u>694,140</u>	<u>600,000</u>
Balance, December 31, 2020	<u>\$ 2,150,643</u>	<u>\$ 6,354,309</u>	<u>\$ 8,504,952</u>

The Company reports recoveries of loans previously written off in prior years as income when the amount is collected or collection is assured.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

5. ALLOWANCE FOR LOSSES ON LOANS RECEIVABLE (Continued)

During 2020, modifications were made to certain borrowers' loan agreements in response to COVID-19 (see Note 11). These modifications made to certain loans as short-term relief are not considered impaired or troubled debt restructurings. This includes short-term modifications such as payment deferrals, extensions of repayment terms, changes in interest rates or other delays in payment terms that are insignificant.

6. LINE OF CREDIT

The Company maintains a \$15,000,000 revolving line of credit agreement with a bank, renewable annually in June. The interest rate is based on the bank's floating base rate (0.15% and 1.75% at December 31, 2020 and 2019, respectively), plus 1.75%. There was no outstanding balance under this line of credit at December 31, 2020 and 2019. The line of credit is secured by substantially all assets of the Company and has certain covenants with which the Company must comply. The Company was in compliance with these covenants as of December 31, 2020 and 2019.

7. MANAGEMENT AGREEMENT

Massachusetts Capital Resource Company (MCRC) provides management and administrative services to the Company, the cost of which is charged to the Company. Salaries and other benefits, including both a defined benefit and defined contribution pension plan for employees of MCRC who work solely on the Company's activities, are charged directly to the Company. Other expenses, such as rent and overhead costs, are allocated between MCRC and the Company based on relative levels of capital. This expense allocation method, which is in accordance with the Operating Agreement, has been approved by the Audit Committees of both the Company and MCRC.

The amount of expense recognized by the Company related to these management and administrative services provided by MCRC during 2020 and 2019 was \$2,214,267 and \$2,080,251, respectively. The amount payable to MCRC for management fees and other reimbursable expenses at December 31, 2020 and 2019, was \$149,720 and \$49,374, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheets.

8. INVESTMENTS IN LIMITED PARTNERSHIPS AND OTHER

Investments in limited partnerships (see Note 2) include non-controlling interests in two limited partnerships and one limited liability company, which meet the requirements of qualified investments in accordance with Chapter 259 of the Massachusetts Acts of 1988. All partnership investments represent less than 20% limited partner interests and the Company does not exercise control or significant influence over these partnerships. Investments in other include shares of common stock (see page 13).

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

8. INVESTMENTS IN LIMITED PARTNERSHIPS AND OTHER (Continued)

The balance of investments in limited partnerships and other was as follows:

	<u>2020</u>	<u>2019</u>
Carried cost, beginning of year	\$ 2,054,667	\$ 2,054,667
Capital distributions	<u>(83,221)</u>	<u>-</u>
Carried cost, end of year	1,971,446	2,054,667
Less - allowance for impairment	<u>(400,000)</u>	<u>(400,000)</u>
Net investments in limited partnerships	1,571,446	1,654,667
Investments in other	<u>65,014</u>	<u>41,530</u>
Net investments in limited partnerships and other	<u>\$ 1,636,460</u>	<u>\$ 1,696,197</u>

As of December 31, 2020 and 2019, management has recorded estimated allowances for impairment totaling \$400,000 for one of these investments in limited partnerships. The Company's management determined these impairment estimates using unobservable, or Level 3, inputs under the fair value framework (see Note 2). These inputs are estimated future net cash flows based upon internal financial statements and other information received from investment fund managers. There were no write-offs of investments in limited partnerships or provisions for impairment recorded during 2020 and 2019.

The Company received distributions of \$83,221 for 2020. The Company also incurred a realized gain of \$186,547 for 2020, which was distributed to the Company and is included in investment income in the accompanying statement of operations and other comprehensive income for the year ended December 31, 2020. The Company did not incur a realized gain or loss in 2019.

During 2019, the Company received shares of common stock in connection of exercising its option on derivatives (warrants). The fair value of the common stocks at December 31, 2020 and 2019, was \$65,014 and \$41,530, respectively, which is included in investments in limited partnerships and other in the accompanying balance sheets. The Company incurred an unrealized loss of \$140,268 which is shown as net change in value of derivatives in the accompanying statement of operations and other comprehensive income for the year ended December 31, 2019. These shares of common stock are valued using Level 1 inputs.

9. CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in three banks in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Company has not experienced any losses in such accounts and management believes the credit risk related to the Company's cash and cash equivalents is not significant. As of December 31, 2020, the Company's exposure for uninsured cash and cash equivalents was \$1,012,412 and \$1,009,639, respectively. In order to minimize the credit risk for cash equivalents, management has invested the cash equivalents in highly-liquid money market accounts designed to maximize FDIC coverage.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

Notes to Financial Statements
December 31, 2020 and 2019

10. DISTRIBUTIONS TO MEMBERS

The Company makes annual distributions equal to the cumulative retained earnings of the Company, less the net change in value of derivatives, pursuant to the Articles of the First Amended and Restated Operating Agreement dated September 15, 1999 (the Operating Agreement). Distributable income for the years ended December 31, 2020 and 2019, was \$2,601,075 and \$2,914,518, respectively. The 2019 and 2018 distributable income of \$2,914,518 and \$2,334,104 was declared and paid as a distribution to members during 2020 and 2019, respectively.

In November 2016, the Company's members approved a Fourth Amendment to the First Amended and Restated Operating Agreement extending the term of the Company to 2033, with a possibility of an extension to 2043. Four of the members (exiting members) representing approximately 4% of members' equity elected to be liquidated on the following schedule effective January 1, 2019: 5% of the exiting member's capital account balance which has been determined and fixed as of December 31, 2018, commencing in the fiscal year 2019 continuing through the year 2023, with a final distribution of 80% on December 30, 2023. These exiting members will not continue to receive distributions of earnings, but will only receive distributions of their capital contribution amounts. The remainder of the exiting members' capital will remain in the Company until fully distributed.

During 2020 and 2019, the Company returned \$184,488 of the exiting members' capital contributions, which is included in distributions in the accompanying statements of changes in members' equity for the years ended December 31, 2020 and 2019.

11. CONTINGENCY

In March 2020, the COVID-19 coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. The economic conditions created by the pandemic may impact the Company's borrowers and their ability to repay the loans receivable of the Company. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Company, its operations, pipeline of loan closings and financing commitments for projects currently in development, and future financial statements. The accompanying financial statements, including loan loss allowances (see Note 5), have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Company is continually monitoring these events and their borrowers closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Company is unable to accurately predict how the coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

EXHIBIT E

To

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2020

In accordance with Section 2(e)3 the investments made by the Life Insurance Community Investment Initiative LLC comply with the provision of paragraphs (1) and (2) of subsection (f). At least 25% of the funds invested by the Life Initiative have been credited and distributed within the five MOBD regions of the Commonwealth. Each MOBD region has received at a minimum its base investment share amount as defined by the Legislation.

Qualified Investments as of 12/31/20 (\$571,696,773)

Western Region	\$97,527,700
Central Region	85,140,733
Northeast Region	67,159,500
Greater Boston Region	230,428,931
Southeast Region	75,689,909
<u>Statewide</u>	<u>15,750,773</u>

\$571,696,773